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BEFORE THE ARIZONA CORPORATION COMMISSION

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2010 MAY 11 A 10:54

COMMISSIONERS

KRISTIN K. MAYES, CHAIRMAN

PAUL NEWMAN

GARY PIERCE

SANDRA D. KENNEDY

BOB STUMP

AZ CORP COMMISSION
DOCKET CONTROL**IN THE MATTER OF THE APPLICATION
OF PICACHO PEAK WATER CO., INC.,
FOR A RATE INCREASE**

Docket No. W-02351A-07-0319

Docket No. W-02351A-07-0686

**IN THE MATTER OF THE
APPLICATION OF PICACHO PEAK
WATER CO., INC., FOR AUTHORITY
TO INCUR DEBT TO FINANCE
WATER SYSTEM IMPROVEMENTS****NOTICE OF COMPLIANCE**

Pursuant to Decision Number 70558, Picacho Peak Water Company, Inc.

("Company") is filing its copy of the financing agreement between the Company and the
Water Infrastructure Finance Authority ("WIFA"). See Exhibit 1.

Respectfully submitted on May 11, 2010.

MOYES SELLERS & SIMS

Arizona Corporation Commission

DOCKETED

MAY 11 2010

DOCKETED BY

M.S.

Steve Wene

Attorneys for Picacho Peak Water Co.

1 Original and 15 copies of the foregoing
2 filed May 11, 2010, with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007
7

8 *Bonnely Herbert*
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EXHIBIT 1

Loan Agreement

between

Water Infrastructure Finance Authority of Arizona
(the "Authority")

and

Picacho Peak Water Company
(the "Local Borrower")

Evidencing a Loan from the
Authority to the Local Borrower

Dated as of February 16, 2010

**WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA
LOAN AGREEMENT**

This Loan Agreement (as it may be amended or supplemented from time to time, this "Agreement") is made and entered into as of the date set forth below by and between Borrower and Lender set forth below.

This Loan Agreement includes the attached Exhibits and the attached Standard Terms and Conditions. Any capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Exhibits and Standard Terms and Conditions.

Section 1. Party Names And Addresses.

Borrower:	Picacho Peak Water Company
Borrower Mailing Address:	150 Louisiana N.E. Albuquerque, New Mexico 87108 505-266-5985 505-266-9557
Attention:	Bill McCabe, President
Borrower Business Office Address:	150 Louisiana NE Albuquerque, New Mexico 87108
Lender:	Water Infrastructure Finance Authority of Arizona
Lender Address:	1110 West Washington Street, Suite 290 Phoenix, Arizona 85007
Attention:	Executive Director

Section 2. Loan Information. The terms of the Loan include the terms set forth in the Exhibits, which are part of this Agreement:

Exhibit A	Financial Assistance Terms and Conditions
Exhibit B	Technical Terms and Conditions
Exhibit C	Reporting Requirements
Exhibit D	Debt Service Reserve and Replacement Reserve Provisions
Exhibit E	Limits on Additional Indebtedness without Lender Consent
Exhibit F	Form of Promissory Note
Exhibit G	Form of Opinion of Counsel to Borrower
Exhibit H	Borrower Disclosure

Section 3. The Loan. Subject to the terms and conditions of this Agreement, Lender agrees to make the Loan to Borrower by means of one or more advances ("Advances") in an aggregate

principal amount not to exceed the Loan Amount (the "Commitment"). The unadvanced portion of the Commitment shall expire on but not include the earliest of (i) the date on which the Loan has been fully advanced by Lender, or (ii) the first Principal Repayment Date set forth in the Exhibit A. The obligation of Borrower to repay the Loan is evidenced by the Promissory Note in the form attached hereto as Exhibit F, dated of even date herewith, of Borrower payable to Lender, as it may be amended, modified, extended, renewed, restated, or supplemented from time to time (the "Note"). In the event of a conflict between the Note and this Agreement, the terms of this Agreement shall be deemed controlling. The Loan shall not constitute a revolving loan, and amounts repaid may not be reborrowed.

Section 4. Advances. Lender may disburse funds by check, by electronic means or by means of magnetic tape or other transfer medium. In making Advances, Lender shall be entitled to rely upon, and shall incur no liability to Borrower in acting upon, any request made by a person identifying himself or herself as one of the persons authorized by Borrower to request Advances. Advances of the Loan will be made only upon satisfaction of the conditions set forth in this Agreement, including the following:

(a) Lender has received a draw request from Borrower, in form and substance satisfactory to Lender, not less than ten (10) days prior to the date for which such Advance is requested, specifying the amount and purpose of the Advance requested. Lender will furnish an acceptable form of draw request to Borrower. Lender may revise the form of draw request from time to time.

(b) Except as hereinafter provided, disbursements shall be made only upon certification of an authorized officer of Lender that such disbursement is proper. An authorized officer of Lender shall approve disbursements in payment of the invoices, demands for payment, approved contractors' estimates or other evidence of cost incurrence directly to the persons or entities entitled to payment or to Borrower in the case of reimbursement for costs of services already paid, and shall provide Borrower with a copy of the approval and the date approved.

(c) Lender has received such other items or documents as Lender may reasonably require.

Section 5. Payment Of Principal, Interest And Fees. The outstanding principal balance of the Loan, together with all unpaid accrued interest due under the Note, shall be paid by "automatic debit" from the Borrower Deposit Account. The Borrower Deposit Account shall be a Demand Deposit Account in the name of the Borrower, Account Number 252-453614 maintained with Bank of America. Borrower shall cause monthly payments to be made by direct debit to the Lender in accordance with routing instructions within Exhibit A.

Section 6. Loan And Security Documents. The Loan shall be secured by the Continuing Security Agreement of even date herewith executed by Borrower for the benefit of Lender (the "Continuing Security Agreement") granting Lender a security interest in the collateral described therein by the provisions of this Agreement providing for the holding of, and granting Lender a security interest in, the Debt Service Reserve Fund and the Replacement Reserve Fund (as described in Exhibit D). The Continuing Security Agreement, any Deed of Trust and any other agreements, documents or instruments securing the Loan are referred to as the "Security

Documents". This Agreement, the Note, the Security Documents and any other agreements, documents or instruments evidencing, securing or otherwise relating to the Loan, and all exhibits thereto, are referred to as the "Loan Documents".

IN WITNESS WHEREOF, the Authority and Borrower have caused this Loan Agreement to be executed and delivered as of the date of execution hererof.

DATED as of February 16, 2010.

Picacho Peak Water Company

By: Bill McCabe
Name: Bill McCabe
Title: President

Water Infrastructure Finance Authority of Arizona

By: Judy Navarrete
Executive Director

LOAN AGREEMENT ADDENDUM

Wage Rate Requirements for Compliance with P.L. 111-88

Water Infrastructure Finance Authority of Arizona

This document (this "Wage Rate Addendum") sets forth additional requirements applicable to state revolving fund Loans made by the Water Infrastructure Finance Authority of Arizona ("WIFA") that are subject to the requirements of federal Public Law 111-88, "Making appropriations for the Department of the Interior, environment, and related agencies for the fiscal year ending September 30, 2010, and for other purposes," enacted October 30, 2009 ("P.L. 111-88"). The provisions in this Wage Rate Addendum are a part of the Loan Agreement. Capitalized terms not otherwise defined herein shall have the meanings given them in the Loan Agreement.

All laborers and mechanics employed by contractors and subcontractors on the Project shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code. With respect to the labor standards specified in this section, the Secretary of Labor shall have the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267; 5 U.S.C. App.) and section 3145 of title 40, United States Code. The Local Borrower shall include this requirement in all bid specifications, construction contracts and purchase orders for the Project.

WIFA and the Local Borrower are signing this Loan Agreement Addendum to be effective as part of the Loan Agreement.

Water Infrastructure Finance Authority of Arizona

By: Judy Navarrete
Judy Navarrete, Executive Director

Picacho Peak Water Company

By: Bill McCabe
Bill McCabe, President

Exhibit A of Loan Agreement

Section I: Financial Assistance Terms and Conditions Picocho Peak Water Company 11-Feb-10

Loan Number..... 920192-10

Closing Date..... 02/16/10

Financial Assistance Terms and Conditions

Original Loan Amount as of the Closing Date.....	\$ 150,000.00
Final Loan Amount as of Release of Retention.....	\$ 150,000.00
Loan Term.....	20
Combined Interest & Fee Rate.....	3.675%
First Fixed Monthly Payment.....	09/01/10
Final Fixed Monthly Payment.....	02/01/30

Debt Service Reserve Fund Requirements (Held by WIFA)

Total Reserve Amount.....	\$ 10,786.20
Monthly Deposit.....	\$ 179.77
Reserve Funded by (Date).....	08/01/15

Repair and Replacement Fund Requirement (Held by Borrower)

Begin Funding on (Date).....	09/01/15
Annual Amount.....	\$ 2,157.24
Monthly Deposit.....	\$ 179.77

Monthly Payment

Period #7 - 1st Debt Service Payment

Maximum Payment (Includes interest payable from Closing to 1st Payment).....	\$ 3,605.18
Minimum Payment	\$ 1,078.62

WIFA will calculate the first payment due on Period #7; payment will depend on actual loan draws.

Periods #8 through #66.....	\$ 1,078.62
Periods #67 through #120.....	\$ 898.85
Periods #121 through #180.....	\$ 898.85
Periods #181 through #240.....	\$ 898.85

Section 2: Loan Repayment Schedule, Repayment Periods 1 through 80
Picacho Peak Water Company
11-Feb-10

Period	Monthly Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment	Period	Monthly Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment
1	03/01/10	3.675%	0.00	41	07/01/13	3.675%	1,078.62
2	04/01/10	3.675%	0.00	42	08/01/13	3.675%	1,078.62
3	05/01/10	3.675%	0.00	43	09/01/13	3.675%	1,078.62
4	06/01/10	3.675%	0.00	44	10/01/13	3.675%	1,078.62
5	07/01/10	3.675%	0.00	45	11/01/13	3.675%	1,078.62
6	08/01/10	3.675%	0.00	46	12/01/13	3.675%	1,078.62
7	09/01/10	3.675%	3,605.18	47	01/01/14	3.675%	1,078.62
8	10/01/10	3.675%	1,078.62	48	02/01/14	3.675%	1,078.62
9	11/01/10	3.675%	1,078.62	49	03/01/14	3.675%	1,078.62
10	12/01/10	3.675%	1,078.62	50	04/01/14	3.675%	1,078.62
11	01/01/11	3.675%	1,078.62	51	05/01/14	3.675%	1,078.62
12	02/01/11	3.675%	1,078.62	52	06/01/14	3.675%	1,078.62
13	03/01/11	3.675%	1,078.62	53	07/01/14	3.675%	1,078.62
14	04/01/11	3.675%	1,078.62	54	08/01/14	3.675%	1,078.62
15	05/01/11	3.675%	1,078.62	55	09/01/14	3.675%	1,078.62
16	06/01/11	3.675%	1,078.62	56	10/01/14	3.675%	1,078.62
17	07/01/11	3.675%	1,078.62	57	11/01/14	3.675%	1,078.62
18	08/01/11	3.675%	1,078.62	58	12/01/14	3.675%	1,078.62
19	09/01/11	3.675%	1,078.62	59	01/01/15	3.675%	1,078.62
20	10/01/11	3.675%	1,078.62	60	02/01/15	3.675%	1,078.62
21	11/01/11	3.675%	1,078.62	61	03/01/15	3.675%	1,078.62
22	12/01/11	3.675%	1,078.62	62	04/01/15	3.675%	1,078.62
23	01/01/12	3.675%	1,078.62	63	05/01/15	3.675%	1,078.62
24	02/01/12	3.675%	1,078.62	64	06/01/15	3.675%	1,078.62
25	03/01/12	3.675%	1,078.62	65	07/01/15	3.675%	1,078.62
26	04/01/12	3.675%	1,078.62	66	08/01/15	3.675%	1,078.62
27	05/01/12	3.675%	1,078.62	67	09/01/15	3.675%	898.85
28	06/01/12	3.675%	1,078.62	68	10/01/15	3.675%	898.85
29	07/01/12	3.675%	1,078.62	69	11/01/15	3.675%	898.85
30	08/01/12	3.675%	1,078.62	70	12/01/15	3.675%	898.85
31	09/01/12	3.675%	1,078.62	71	01/01/16	3.675%	898.85
32	10/01/12	3.675%	1,078.62	72	02/01/16	3.675%	898.85
33	11/01/12	3.675%	1,078.62	73	03/01/16	3.675%	898.85
34	12/01/12	3.675%	1,078.62	74	04/01/16	3.675%	898.85
35	01/01/13	3.675%	1,078.62	75	05/01/16	3.675%	898.85
36	02/01/13	3.675%	1,078.62	76	06/01/16	3.675%	898.85
37	03/01/13	3.675%	1,078.62	77	07/01/16	3.675%	898.85
38	04/01/13	3.675%	1,078.62	78	08/01/16	3.675%	898.85
39	05/01/13	3.675%	1,078.62	79	09/01/16	3.675%	898.85
40	06/01/13	3.675%	1,078.62	80	10/01/16	3.675%	898.85

Section 2: Loan Repayment Schedule, Repayment Periods 81 through 160
Picacho Peak Water Company
11-Feb-10

Period	Monthly Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment	Period	Monthly Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment
81	11/01/16	3.675%	898.85	121	03/01/20	3.675%	898.85
82	12/01/16	3.675%	898.85	122	04/01/20	3.675%	898.85
83	01/01/17	3.675%	898.85	123	05/01/20	3.675%	898.85
84	02/01/17	3.675%	898.85	124	06/01/20	3.675%	898.85
85	03/01/17	3.675%	898.85	125	07/01/20	3.675%	898.85
86	04/01/17	3.675%	898.85	126	08/01/20	3.675%	898.85
87	05/01/17	3.675%	898.85	127	09/01/20	3.675%	898.85
88	06/01/17	3.675%	898.85	128	10/01/20	3.675%	898.85
89	07/01/17	3.675%	898.85	129	11/01/20	3.675%	898.85
90	08/01/17	3.675%	898.85	130	12/01/20	3.675%	898.85
91	09/01/17	3.675%	898.85	131	01/01/21	3.675%	898.85
92	10/01/17	3.675%	898.85	132	02/01/21	3.675%	898.85
93	11/01/17	3.675%	898.85	133	03/01/21	3.675%	898.85
94	12/01/17	3.675%	898.85	134	04/01/21	3.675%	898.85
95	01/01/18	3.675%	898.85	135	05/01/21	3.675%	898.85
96	02/01/18	3.675%	898.85	136	06/01/21	3.675%	898.85
97	03/01/18	3.675%	898.85	137	07/01/21	3.675%	898.85
98	04/01/18	3.675%	898.85	138	08/01/21	3.675%	898.85
99	05/01/18	3.675%	898.85	139	09/01/21	3.675%	898.85
100	06/01/18	3.675%	898.85	140	10/01/21	3.675%	898.85
101	07/01/18	3.675%	898.85	141	11/01/21	3.675%	898.85
102	08/01/18	3.675%	898.85	142	12/01/21	3.675%	898.85
103	09/01/18	3.675%	898.85	143	01/01/22	3.675%	898.85
104	10/01/18	3.675%	898.85	144	02/01/22	3.675%	898.85
105	11/01/18	3.675%	898.85	145	03/01/22	3.675%	898.85
106	12/01/18	3.675%	898.85	146	04/01/22	3.675%	898.85
107	01/01/19	3.675%	898.85	147	05/01/22	3.675%	898.85
108	02/01/19	3.675%	898.85	148	06/01/22	3.675%	898.85
109	03/01/19	3.675%	898.85	149	07/01/22	3.675%	898.85
110	04/01/19	3.675%	898.85	150	08/01/22	3.675%	898.85
111	05/01/19	3.675%	898.85	151	09/01/22	3.675%	898.85
112	06/01/19	3.675%	898.85	152	10/01/22	3.675%	898.85
113	07/01/19	3.675%	898.85	153	11/01/22	3.675%	898.85
114	08/01/19	3.675%	898.85	154	12/01/22	3.675%	898.85
115	09/01/19	3.675%	898.85	155	01/01/23	3.675%	898.85
116	10/01/19	3.675%	898.85	156	02/01/23	3.675%	898.85
117	11/01/19	3.675%	898.85	157	03/01/23	3.675%	898.85
118	12/01/19	3.675%	898.85	158	04/01/23	3.675%	898.85
119	01/01/20	3.675%	898.85	159	05/01/23	3.675%	898.85
120	02/01/20	3.675%	898.85	160	06/01/23	3.675%	898.85

Section 2: Loan Repayment Schedule, Periods 161 through 240
Picacho Peak Water Company
11-Feb-10

Period	Monthly Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment	Period	Monthly Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment
161	07/01/23	3.675%	898.85	201	11/01/26	3.675%	898.85
162	08/01/23	3.675%	898.85	202	12/01/26	3.675%	898.85
163	09/01/23	3.675%	898.85	203	01/01/27	3.675%	898.85
164	10/01/23	3.675%	898.85	204	02/01/27	3.675%	898.85
165	11/01/23	3.675%	898.85	205	03/01/27	3.675%	898.85
166	12/01/23	3.675%	898.85	206	04/01/27	3.675%	898.85
167	01/01/24	3.675%	898.85	207	05/01/27	3.675%	898.85
168	02/01/24	3.675%	898.85	208	06/01/27	3.675%	898.85
169	03/01/24	3.675%	898.85	209	07/01/27	3.675%	898.85
170	04/01/24	3.675%	898.85	210	08/01/27	3.675%	898.85
171	05/01/24	3.675%	898.85	211	09/01/27	3.675%	898.85
172	06/01/24	3.675%	898.85	212	10/01/27	3.675%	898.85
173	07/01/24	3.675%	898.85	213	11/01/27	3.675%	898.85
174	08/01/24	3.675%	898.85	214	12/01/27	3.675%	898.85
175	09/01/24	3.675%	898.85	215	01/01/28	3.675%	898.85
176	10/01/24	3.675%	898.85	216	02/01/28	3.675%	898.85
177	11/01/24	3.675%	898.85	217	03/01/28	3.675%	898.85
178	12/01/24	3.675%	898.85	218	04/01/28	3.675%	898.85
179	01/01/25	3.675%	898.85	219	05/01/28	3.675%	898.85
180	02/01/25	3.675%	898.85	220	06/01/28	3.675%	898.85
181	03/01/25	3.675%	898.85	221	07/01/28	3.675%	898.85
182	04/01/25	3.675%	898.85	222	08/01/28	3.675%	898.85
183	05/01/25	3.675%	898.85	223	09/01/28	3.675%	898.85
184	06/01/25	3.675%	898.85	224	10/01/28	3.675%	898.85
185	07/01/25	3.675%	898.85	225	11/01/28	3.675%	898.85
186	08/01/25	3.675%	898.85	226	12/01/28	3.675%	898.85
187	09/01/25	3.675%	898.85	227	01/01/29	3.675%	898.85
188	10/01/25	3.675%	898.85	228	02/01/29	3.675%	898.85
189	11/01/25	3.675%	898.85	229	03/01/29	3.675%	898.85
190	12/01/25	3.675%	898.85	230	04/01/29	3.675%	898.85
191	01/01/26	3.675%	898.85	231	05/01/29	3.675%	898.85
192	02/01/26	3.675%	898.85	232	06/01/29	3.675%	898.85
193	03/01/26	3.675%	898.85	233	07/01/29	3.675%	898.85
194	04/01/26	3.675%	898.85	234	08/01/29	3.675%	898.85
195	05/01/26	3.675%	898.85	235	09/01/29	3.675%	898.85
196	06/01/26	3.675%	898.85	236	10/01/29	3.675%	898.85
197	07/01/26	3.675%	898.85	237	11/01/29	3.675%	898.85
198	08/01/26	3.675%	898.85	238	12/01/29	3.675%	898.85
199	09/01/26	3.675%	898.85	239	01/01/30	3.675%	898.85
200	10/01/26	3.675%	898.85	240	02/01/30	3.675%	900.30

Exhibit B

Technical Terms and Conditions

Section 1

Budget

Uses by Budget Item

Amount Budgeted

Planning.....	\$0.00
Design & Engineering.....	\$25,000.00
Legal/Debt Authorization.....	\$25,000.00
Financial Advisor.....	\$0.00
Land/System Acquisition.....	\$0.00
Equipment/Materials.....	\$100,000.00
Construction/Installation/Improvement.....	\$0.00
Inspection & Construction Management.....	\$0.00
Project Officer.....	\$0.00
Administration.....	\$0.00
Staff Training.....	\$0.00
Capitalized Interest.....	\$0.00
Refinance Loan.....	\$0.00
Other.....	\$0.00
Total Budget.....	\$150,000.00

Section 2

Project Description

The Company plans to install reverse osmosis systems inside the homes where drinking water is most likely dispensed, also known as point of use (POU) devices. For the residential customers, these treatment units will be the under the kitchen sink variety, while the larger commercial customers will require the point of entry (POE) devices. The Company is following the ADEQ's Arizona Point of Use Compliance Program Guidance to complete this project.

Section 3

Estimated Observation and Disbursement Schedule

WIFA Withholding % (released after Final Observation)

15%

Observation 1: 50 % Loan Disbursal.....	\$	75,000.00
Final Observation: 85 % Loan Disbursal.....	\$	127,500.00
WIFA Withholding.....	\$	22,500.00

Additional Observations – A WIFA representative may perform additional observations based on information provided in the projects status reports included in each Local Borrower disbursement requisition form.

Section 4

Requirements Prior To Construction

Section 4.1 Construction Bids. The Local Borrower shall submit to the Authority for review and approval prior to execution:

- (a) engineering contracts related to the Project,
- (b) bid documents related to the Project,
- (c) construction contracts related to the Project, and
- (d) certification of positive effort for disadvantaged business enterprise participation.

Section 4.2 User Charges. The Local Borrower has established (or, if the System is not yet in operation, the Local Borrower will, at or before the time the System commences operation, establish) a system of user charges which, with other funds lawfully available, will at all times be sufficient to pay the costs of operation and maintenance of the System, including renewals and replacements of the System. The Local Borrower also agrees that such system of user charges will be established and maintained in compliance with any applicable requirements of state and federal law as long as the Local Borrower owes amounts under this Loan Agreement. The Local Borrower at its sole option may pay the costs of operation, maintenance, repair, replacement, extensions and additions to the System from any funds lawfully available to it for such purpose.

Section 4.3 Interest in Project Site. As a condition of the Loan, the Local Borrower will demonstrate to the satisfaction of the Authority that the Local Borrower has or will have a fee simple or such other estate or interest in the site of the Project, including necessary easements and rights-of-way, as the Authority finds sufficient to assure undisturbed use and possession for the purpose of construction and operation of the Project for the estimated life of the Project.

Section 4.4 Federal Clean Water Act. The Local Borrower covenants that, to the extent legally applicable, the Project will meet the requirements of the Federal Clean Water Act in effect on the date of Loan Closing and any amendments thereto that may retroactively apply to the Loan, and the Local Borrower agrees that the Project will comply with applicable provisions of those federal laws and authorities listed in Article 9 of the Standard Terms and Conditions.

Section 4.5 Federal Safe Drinking Water Act. The Local Borrower covenants that, to the extent legally applicable, the Project will meet the requirements of the Federal Safe Drinking Water Act in effect on the date of Loan Closing and any amendments thereto that may

retroactively apply to the Loan, and the Local Borrower agrees that the Project will comply with applicable provisions of those federal laws and authorities listed in Article 9 of the Standard Terms and Conditions.

Section 4.6 Signs. No requirement.

Section 5

Requirements During Construction

Section 5.1 Changes in Project Scope. The Local Borrower shall submit to the Authority, for review and approval prior to execution, any change to the plans and specifications, construction contracts, Eligible Project Costs, or any other change which will effect the performance standards or purpose of the Project.

Section 5.2 Completion of Project and Provision of Moneys Therefor. The Local Borrower covenants and agrees (a) to exercise its best efforts in accordance with prudent utility construction practice to complete the Project and (b) to the extent permitted by law, to provide from its own fiscal resources all moneys, in excess of the total amount of loan proceeds it receives hereunder and under any subsequent loan from the Authority, required to complete the Project.

Section 5.3 Inspections; Information. The Local Borrower shall permit the Authority and any party designated by the Authority to examine, visit and inspect, at any and all reasonable times, the property, if any, constituting the Project, and to inspect and make copies of any accounts, books and records, including (without limitation) its records regarding receipts, disbursements, contracts, investments and any other matters relating thereto and to its financial standing, and shall supply such reports and information as the Authority may reasonably require in connection therewith.

Section 5.4 Adjustments for Ineligible Costs. The Local Borrower shall promptly reimburse the Authority for any portion of the Loan which is determined to have been used for costs that are not eligible for funding under the Authority Act, the Federal Clean Water Act, as amended, or the Federal Safe Drinking Water Act, as amended, unless such matter is curable in some other manner by the Local Borrower to the satisfaction of the Authority. Such reimbursement shall be promptly repaid to the Authority upon written request of the Authority. Any such reimbursed principal amount will be applied to reduce the outstanding principal amount of the Loan.

Section 5.5 Archaeological Artifacts. In the event that archaeological artifacts or historical resources are discovered during construction excavation of the Project, the Local Borrower shall stop or cause to be stopped construction activities and will notify the State Historic Preservation Office and the Authority of such discovery.

Section 6

Requirements Prior To Final Disbursements

Section 6.1 Plan of Operation. After construction is 50% complete and prior to the release of the withholding, the Local Borrower will submit to the Authority a plan of operation which provides a concise, sequential description of an implementation schedule for those activities necessary to assure efficient and reliable start-up and continual operation of the Project.

Section 6.2 Final Approval. Prior to the release of the withholding, the Local Borrower will submit to the Authority (a) as-built drawings by a professional engineer that document all changes from the original plans and specifications (b) copies of all testing results performed by or under the supervision of a professional engineer as required by the specifications, and (c) Arizona Department of Environmental Quality (ADEQ) approval of construction or an engineer's Certificate of Completion certifying that all construction was completed in accordance with the plans and specifications or that any changes made are in conformance with the Arizona Revised Statutes, ADEQ and Environmental Protection Agency rules, permits and guidelines and are documented in the as-built drawings. Based on a review of the information submitted, the Authority reserves the right, prior to the release of the withholding, to request modifications to the Project, the system, or the materials submitted pursuant to this section.

Exhibit C

Reporting Requirements

Section 1. **Annual Loan Review.** The Authority's Annual Loan Review Form and annual financial statements in a format approved by the Authority, including the report of any annual audit(s) and all audit reports required by governmental auditing standards and any applicable Arizona rules, shall be provided by the Local Borrower to the Authority within one-hundred and eighty (180) days after the end of each fiscal year of the Local Borrower. The Local Borrower shall complete all audits and submit all reports required by the federal Single Audit Act within the time limits under that federal law, currently within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the federal agency that provided the funding or a different period is specified in a program-specific audit guide.

Section 2. **Records and Accounts.** The Local Borrower shall keep accurate records and accounts for the System, including the Project (the "*System Records*"), separate and distinct from its other records and accounts (the "*General Records*"). To the extent required by law, such System Records shall be maintained in accordance with generally accepted government or other applicable accounting standards and shall be audited annually, if required by law, by an independent accountant, which audit may be part of the annual audit of the General Records of the Local Borrower. Such System Records and General Records shall be made available for inspection by the Authority at any reasonable time.

Section 3. **Notice of Change In Key Personnel.** Promptly after becoming aware thereof, the Local Borrower shall provide notice in writing to the Authority of any change to the information in Section 1 of the Loan Agreement and any other change in key personnel connected to the Project and Loan.

Section 4. **Notice of Material Adverse Change.** The Local Borrower shall promptly notify the Authority of any material adverse change in the activities, prospects or condition (financial or otherwise), of the Local Borrower relating to the System, or in the ability of the Local Borrower to make all Loan Repayments from the Source of Repayment described in this Loan Agreement and otherwise to observe and perform its duties, covenants, obligations and agreements hereunder.

Section 5. **Disadvantaged Business Enterprise (DBE) Program.** The Local Borrower must report DBE participation to the Authority based on guidance from the Authority.

Section 6. **Notice of Default.** Promptly after becoming aware thereof, Local Borrower shall give notice to the Authority of (i) the occurrence of any Event of Default under the Loan Agreement or (ii) the occurrence of any breach, default, Event of Default, or event which with the giving of notice or lapse of time, or both, could become a material breach, default, or Event of Default (a "Future Breach") under any agreement, indenture, mortgage, or other instrument (other than the Loan Agreement) to which the Local Borrower is a party or by which it or any of its property is bound or affected. Local Borrower shall provide written notice to the Authority if the effect of such breach, default, Event of Default or Future Breach is to accelerate, or to permit

the acceleration of, the maturity of any indebtedness under such agreement, indenture, mortgage, or other instrument; provided, however, that the failure of the Local Borrower to give such notice shall not affect the right and power of the Authority to exercise any and all of the remedies specified herein.

Section 7. **Notice of Non-Environmental Litigation.** Promptly after the commencement or overt threat thereof, Local Borrower shall provide the Authority with written notice of the commencement of all actions, suits, or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency, or instrumentality affecting Local Borrower which, if adversely determined, could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or on the ability of Local Borrower to perform its obligations under the Loan Agreement.

Section 8. **Notice of Environmental Litigation.** Without limiting the provisions of Section 7 above, promptly after receipt thereof, Local Borrower shall provide the Authority with written notice of the receipt of all pleadings, orders, complaints, indictments, or other communication alleging a condition that may require Local Borrower to undertake or to contribute to a cleanup or other response under laws relating to environmental protection, or which seek penalties, damages, injunctive relief, or criminal sanctions related to alleged violations of such laws, or which claim personal injury to any person or property damage as a result of environmental factors or conditions or which, if adversely determined, could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or on the ability of Local Borrower to perform its obligations under the Loan Agreement.

Section 9. **Regulatory and Other Notices.** Promptly after receipt or submission thereof, Local Borrower shall provide the Authority with copies of any notices or other communications received from or directed to any governmental authority with respect to any matter or proceeding which could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or the ability of Local Borrower to perform its obligations under the Loan Agreement, or which reveals a substantial non compliance with any applicable law, regulation or rule.

Section 10. **Other Information.** The Local Borrower shall submit to the Authority other information regarding the condition (financial or otherwise), or operation of the Local Borrower as the Authority may, from time to time, reasonably request.

Section 11. **Additional Reporting Requirements.** The Local Borrower shall refer to the Wage Rate Loan Agreement Addendum for additional reporting requirements.

Exhibit D

Debt Service Reserve And Replacement Reserve Requirements

Section 1. Debt Service Reserve Fund.

(a) There is established and maintained a Debt Service Reserve Fund held by the Lender. The deposits required pursuant to this Exhibit shall be automatically debited from the Borrower Deposit Account along with Borrower's regularly scheduled payments of principal and interest. The amount allocated to the Debt Service Reserve Fund shall be administered and invested by the Lender and allocated to the Borrower (the "Debt Service Reserve Fund"). Amounts therein shall secure payment to Lender of Loan repayments payable under the Loan Documents. The regularly scheduled deposits into the Debt Service Reserve Fund shall be in an amount, as determined by Lender, so as to accumulate over five (5) years an amount equal to the highest amount of Loan repayments by Borrower in any fiscal year as shown in the Loan repayment schedule, which Borrower and Lender agree is the initial amount of the debt service reserve requirement (the "Debt Service Reserve Requirement") for the Loan. Initially, the amount of the Debt Service Reserve Requirement and the amount of the required periodic build up are set forth in Exhibit A. The amount of the Debt Service Reserve Requirement and the amount of the required periodic build up will be adjusted to reflect any adjustment of the Loan repayment schedule.

(b) For so long as the Loan is outstanding, if on any Interest Payment Date or Principal Repayment Date Borrower has not paid to Lender an amount equal to the amount of principal and interest due on the Loan pursuant to this Agreement, Borrower hereby consents and directs the Lender to transfer, the amount of the deficiency from the Debt Service Reserve Fund to the payment of any amounts due. Borrower shall then cause to be delivered to Lender for deposit to the Debt Service Reserve Fund after provision is made for payment of amounts which have become due under this Agreement an amount sufficient to cause the amount credited to the Debt Service Reserve Fund to be at least equal to the amount then required to be on deposit therein.

(c) The Lender may commingle funds of Borrower with other funds but shall keep adequate and accurate records of moneys and investment earnings on amounts credited to the Debt Service Reserve Fund. Borrower shall pay the reasonable fees and charges of the Lender for administering the Debt Service Reserve Fund from investment earnings on amounts credited to the Debt Service Reserve Fund in an amount not to exceed 10% of investment earnings.

(d) Not less than annually, Lender shall deliver to Borrower an accounting of the Debt Service Reserve Fund, indicating the principal amount therein, and net annual investment earnings (investment earnings less administrative costs and fees pursuant to Clause (c) of this Section) (the "Net Earnings"). Net Earnings shall be applied not less than annually as a prepayment of principal.

(e) Subject to subsections (a), (b), (c), and (d) of this Section, when the Debt Service Reserve Fund is equal to or greater than the amounts due from the Borrower, the Lender shall:

- (i) Apply the Debt Service Reserve Fund to pay in full all amounts payable by Borrower under this Agreement.
- (ii) Transfer to Borrower all monies remaining in the Debt Service Reserve Fund after payment in full of all amounts payable by Borrower.

Section 2. Replacement Reserve Fund.

(a) Borrower shall establish a separate account to secure payment to Lender of Loan repayments payable under the Loan Documents (the "Replacement Reserve Fund"). The Replacement Reserve Fund shall be held and administered by the Borrower in an account which is acceptable to Lender pursuant to the provisions of the Agreement. Borrower shall cause to be deposited on or before the first business day of each month commencing with the sixty-first (61st) month following the month in which the first Advance occurs amounts at least equal to one-twelfth (1/12th) of twenty percent (20%) of the highest amount of Loan repayments by Borrower in any fiscal year as shown in the Loan repayment schedule. Initially, the amount of the required monthly deposit and the aggregate annual deposits are set forth in Exhibit A. The amount of the required monthly deposit will be adjusted to reflect any adjustment of the Loan repayment schedule.

(b) For so long as the Loan is outstanding, if no Event of Default, and no event or occurrence which, with the giving of notice or the passage of time or both, would become an Event of Default (an "Unmatured Event of Default"), has occurred and is continuing, Borrower from time to time may withdraw moneys from the Replacement Reserve Fund and apply the moneys withdrawn for one or more of the following purposes: (i) for the acquisition of new, or the replacement of obsolete or worn out, machinery, equipment, furniture, fixtures or other personal property for the drinking water system provided that the property is depreciable; (ii) for the performance of repairs with respect to the drinking water system which are of an extraordinary and non-recurring nature provided that the property is depreciable; (iii) for the acquisition or construction of additions to or improvements, extensions or enlargements to, or remodeling of, the drinking water system provided that the property is depreciable; and/or (iv) to make payments to Lender on the Loan.

(c) For so long as the Loan is outstanding, if on any Interest Payment Date or Principal Repayment Date Borrower has not paid to Lender an amount equal to the amount of principal and interest due on the Loan pursuant to this Agreement, and the Debt Service Reserve Fund does not hold sufficient moneys to cover the deficiency, Lender will direct the Borrower to transfer, and Borrower hereby consents to transfer, the amount of the deficiency from the Replacement Reserve Fund to Lender.

(d) The Lender shall require that the Borrower shall keep adequate and accurate records of moneys, investments and investment earnings on amounts credited to the Replacement Reserve Fund. Lender shall have the right to audit the records of the Borrower insofar as they pertain to the Replacement Reserve Fund.

Section 3. Debt Service Reserve Fund and Replacement Reserve Fund as Collateral.

(a) **Grant of Security Interest.** As collateral security for the prompt and complete payment when due of all obligations of the Borrower to the Lender under the Agreement and the Note and all other obligations and liabilities of the Borrower to the Lender, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter incurred, arising under, out of, or in connection with, the Agreement or any of the Loan Documents (the "**Obligations**"), Borrower has granted, bargained, sold, assigned, pledged, and set over and by these presents does hereby grant, bargain, sell, assign, pledge, transfer and set over unto the Lender, and its successors and assigns, all of the Borrower's right, title and interest in and to any amounts held or deposited in the Debt Service Reserve Fund and in the Replacement Reserve Fund (the "**Pledged Funds**").

(b) Terms and Conditions.

(i) The Debt Service Reserve Fund and all amounts deposited therein shall be held in the sole dominion and control of the Lender and shall be administered by the Lender as a collateral account for the benefit of the Lender, and Borrower shall have no rights or powers with respect to, or control over, the Debt Service Reserve Fund or any part thereof. Borrower's sole right with respect to the Pledged Funds in the Debt Service Reserve Fund shall be as provided in the Agreement.

(ii) From and after the occurrence and during the continuation of an Event of Default, Lender may, in the sole and absolute discretion of the Lender, apply the Pledged Funds in the Debt Service Reserve Fund, and, if there are insufficient Pledged Funds in the Debt Service Reserve Fund, in the Replacement Reserve Fund, to the Obligations in the following order: (i) all outstanding costs, expenses, fees and late charges due the Lender, (ii) interest at the rate or rates specified in the Loan Documents and (iii) the principal amount of the Obligations. All interest and other investment earnings amounts from time to time accrued and paid on the Pledged Funds in the Debt Service Reserve Fund and the Replacement Reserve Fund shall be retained in the Debt Service Reserve Fund and the Replacement Reserve Fund and shall be applied in accordance with the Agreement.

(iii) Lender shall have, with respect to the Pledged Funds, all rights and remedies of a secured party under Article 9 of the Arizona Uniform Commercial Code and other applicable laws.

Section 4. Representations, Warranties and Covenants.

(a) Borrower agrees to establish upon closing and maintain the Debt Service Reserve Fund and the Replacement Reserve Fund in accordance with the provisions of the Agreement.

(b) The Borrower covenants that it will not apply, or permit the application of, amounts on deposit in, or required by the provisions of this Agreement to be on deposit in, the Debt Service Reserve Fund and/or the Replacement Reserve Fund except in accordance with the provisions of this Agreement.

(c) Borrower hereby represents and warrants to Lender, effect on the date of the Agreement and on the date of each deposit of Pledged Funds to the Debt Service Reserve Fund and the Replacement Reserve Fund, that:

(i) No filing, recording, registration or declaration with or notice to any person or entity is required in order to preserve or perfect the first priority lien and charge intended to be created hereunder in the Pledged Funds.

(ii) Except for the security interest granted to the Lender pursuant to this Agreement, Borrower is the sole owner of the Pledged Funds, having good and marketable title thereto, free and clear of any and all mortgages, liens, security interests, encumbrances, claims or rights of others.

(iii) No security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or part of the Pledged Funds is on file or of record in any public office except such as may have been filed by the Borrower in favor of the Lender.

(iv) This Agreement constitutes a valid and continuing first lien on and first security interest in the Pledged Funds in favor of the Lender, prior to all other liens, encumbrances, security interests and rights of others, and is enforceable as such as against creditors of and purchasers from the Borrower.

(d) Without the prior written consent of the Lender, the Borrower hereby covenants and agrees that it will not sell, assign, transfer, exchange or otherwise dispose of, or grant any option with respect to, the Pledged Funds, nor will it create, incur or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, option or any other encumbrance with respect to any of the Pledged Funds, or any interest therein, except for the security interest provided for by the Agreement.

(e) Borrower hereby covenants and agrees that it will defend Lender's right, title and security interest in and to the Pledged Funds against the claims and demands of all persons whomsoever except to the extent, which arise out of the willful misconduct or gross negligence of the Lender.

Exhibit E

Limits On Additional Indebtedness Without Lender Consent

Unless otherwise agreed to in writing by Lender, while this Agreement is in effect, whether or not any Advance is outstanding, Borrower shall not:

(a) Borrowings. Create, incur, assume, or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money, for the deferred purchase price of property or services, or for the lease of real or personal property which lease is required to be capitalized under GAAP or which is treated as an operating lease under regulations applicable to the Borrower but which otherwise would be required to be capitalized under GAAP (a "Capital Lease"), except for (i) accounts payable to trade creditors and current operating liabilities (other than for borrowed money) incurred in the ordinary course of Borrower's business, and (ii) Capital Leases, the aggregate amount of which exceeds at any one time \$10,000.00.

(b) Leases. Create, incur, assume, or permit to exist any obligations as lessee for the rental or hire of any real or personal property, except leases which do not in the aggregate require Borrower to make payments (including, without limitation, taxes, insurance maintenance, and other charges) in any fiscal year of Borrower occurring during the term hereof in excess of \$10,000.00.

(c) Picacho Peak Water Company: Create, incur, assume, or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money, to any member of the Picacho Peak Water Company the aggregate amount of which exceeds at any one time \$10,000.00, or any such liability to any one member, regardless of amount, without such member consenting to, through the execution and delivery to WIFA of, the Subordination Agreement included in these loan documents.

Exhibit F
PROMISSORY NOTE

\$ 150,000.00

Phoenix, Arizona
February 16, 2010

For Value Received, Picacho Peak Water Company ("Borrower"), promise to pay to WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA ("Lender") or order the aggregate principal amount outstanding on Borrower's loan as shown on Lender's records which shall at all times be conclusive and govern, with interest thereon at an annual rate equal to three and six tenths and seven hundredths and five thousands of one percent (3.675%). Interest shall be calculated on a 360-day year for all advances, but, in any case, shall be computed for the actual number of days in the period for which interest is charged. Principal and interest shall be payable at the times and in the manner set forth in the Loan Agreement (as hereinafter defined).

Lender and Borrower have established specific instructions and procedures by which draws against said credit will be presented for disbursement pursuant to the terms and conditions of that certain Loan Agreement of even date herewith (the "Loan Agreement"), but nothing contained herein shall create a duty on the part of Lender to make said disbursement if Borrower is in default. The undersigned shall not be entitled to total disbursements hereunder exceeding one hundred and fifty thousand (\$150,000.00), such lesser amount determined in accordance with the Loan Agreement with respect to the Loan (as defined in the Loan Agreement).

All amounts payable hereunder shall be paid in lawful money of the United States. Principal and interest shall be payable at 1110 West Washington, Suite 290, Phoenix, Arizona 85007, or at such other place as the holder hereof may designate. Borrower may prepay the Loan, in whole or in part, at any time without premium or penalty pursuant to Section 1(a) of the Standard Terms and Conditions relating to the Loan.

Absent a default under this Note or the Loan Agreement, any payments received by the holder hereof shall be applied first to sums, other than principal and interest, due the holder hereof, next to the payment of all interest accrued to the date of such payment, and the balance, if any, to the payment of principal. Any payments received by the holder hereof after any Event of Default (as defined in the Loan Agreement) shall be applied to the amounts specified in this paragraph in such order as the holder hereof may, in its sole discretion, elect.

If any payment of interest and/or principal is not received by the holder hereof when such payment is due, then, as additional remedies, (a) a late charge of six percent (6%) of the amount due and unpaid will be added to the delinquent amount for any payment past due in excess of fifteen (15) days and (b) all past due payments of principal and/or interest shall bear interest from their due date until paid at an annual rate equal to the sum of (i) six percent (6%) and (ii) the interest rate specified herein, payable on demand (the "Default Rate").

This Note shall become immediately due and payable at the option of the holder hereof without presentment or demand or any notice to Borrower or any other person obligated hereon, upon default

in the payment of any of the principal hereof or any interest thereon when due, or if any event occurs or condition exists which authorizes the acceleration of the maturity hereof under the Loan Agreement. Time is of the essence with regard to all payment obligations in this Note. Failure to exercise any remedy or right hereunder shall not constitute a waiver of the right to exercise the same in the event of any subsequent default.

In the event any holder hereof utilizes the services of an attorney in attempting to collect the amounts due hereunder or to enforce the terms hereof or of any agreements related to this indebtedness, or if any holder hereof becomes party plaintiff or defendant in any legal proceeding in relation to the property described in any instrument securing this Note or for the recovery or protection of the indebtedness evidenced hereby, Borrower, its successors and assigns, shall repay to such holder hereof, on demand, all costs and expenses so incurred, including reasonable attorney's fees, including those costs, expenses and attorney's fees incurred after the filing by or against the Borrower of any proceeding under any chapter of the Bankruptcy Code, or similar federal or state statute, and whether incurred in connection with the involvement of any holder hereof as creditor in such proceedings or otherwise.

Borrower and all sureties, endorsers and guarantors of this Note waive demand, presentment for payment, notice of nonpayment, protest, notice of protest and all other notice, filing of suit and diligence in collecting this Note or the release of any part primarily or secondarily liable hereon and further agree that it will not be necessary for any holder hereof, in order to enforce payment of this Note by any of them, to first institute suit or exhaust its remedies against any maker or others liable herefor, and consent to any extension or postponement of time or payment of this Note or any other indulgence with respect hereto without notice thereof to any of them.

Notwithstanding any provision contained herein to the contrary, the applicable rate of interest agreed to herein shall include the applicable interest rate described herein, in accordance with the terms of this Note, and any additional charges, costs and fees incident to this loan to the extent they are deemed to be interest under applicable Arizona law. Should the applicable rate of interest as calculated under this Note exceed that allowed by law, the applicable rate of interest will be the maximum rate of interest allowed by applicable law.

Picacho Peak Water Company

By Bill McCabe
Name: Bill McCabe
Title: President

"Borrower"



MOYES SELLERS & SIMS

1850 N. Central Ave., #1100 • Phoenix, AZ 85004

February 16, 2010

Water Infrastructure Finance Authority of Arizona
1110 West Washington, Suite 290
Phoenix, Arizona 85007
Attention: Executive Director

**Re: Loan (the "Loan") from Water Infrastructure Finance Authority of
 Arizona ("Lender") to Picacho Peak Water Company ("Borrower")**

Ladies and Gentlemen:

We have acted as special counsel to Borrower in connection with the Loan evidenced by the Documents (as defined below). You have requested our opinion concerning certain matters.

For purposes of this letter, we have also examined the originals, photocopies, or conformed copies of all documents as we have deemed relevant or necessary as a basis for the opinions hereinafter expressed. We have conferred with the Borrower, examined such questions of law and fact as we have deemed it necessary or appropriate, and have examined the following documents (collectively, the "Documents"): (i) Loan Agreement between Lender and Borrower; (ii) Promissory Note to be executed by Borrower and payable to Lender; (iii) Continuing Security Agreement to be executed by Borrower; (iv) UCC-1 Financing Statement; (v) Articles of Incorporation of the Borrower; (vi) Bylaws of the Borrower; (vii) corporate resolution of Borrower dated January 29, 2010; and (viii) evidence of the approval by the Arizona Corporation Commission of the borrowing represented by the Loan and of the rates, fees and charges of Borrower as currently in effect.

Based upon the foregoing, and subject to the qualifications and limitations set forth below, it is our opinion that:

1. Borrower is an Arizona Non-Profit Corporation duly organized, validly existing, and in good standing under the laws of the State of Arizona.
2. Borrower has the requisite power and authority to own and operate its properties and assets, to carry out its business as such business is being conducted, and to carry out the terms and conditions applicable to it under the Documents. The execution, delivery, and performance of the Documents by Borrower have been duly authorized by all requisite action on the part of Borrower and the Documents have been duly executed and delivered by Borrower.

3. To our knowledge and without special investigation, based solely upon the representations of Borrower, there is no pending or overtly threatened litigation or other legal proceeding against Borrower.
4. To our knowledge, without special investigation, and based solely upon the representations of the Borrower, the execution and delivery by the Borrower of the Borrower Documents and compliance with the provisions thereof by the Borrower do not in any material respect conflict with or constitute a breach of or default of any law, regulation, court order, order by regulatory authority, agreement, or consent decree to which the Borrower is subject or by which the Borrower may be bound.
5. The execution and delivery of the Documents by Borrower and consummation by Borrower of the transactions contemplated by the Documents will not conflict with nor result in a violation of Borrower's Articles of Incorporation or bylaws.
6. The Documents constitute legal, valid, and binding obligations of Borrower enforceable in accordance with their respective terms.
7. The Security Agreement creates a valid security interest in the collateral described therein, to the extent that Borrower has rights in the collateral, but our opinion is limited to collateral in which a security interest may be granted pursuant to Article 9 of the Uniform Commercial Code as adopted in the State of Arizona, and which may be perfected by filing a financing statement. All action necessary to perfect such security interest in collateral in which a security interest may be perfected by filing has been taken. For your information, it is necessary to file a continuation statement within six months prior to a date six years from the original date of filing.

In rendering the foregoing opinions, we have assumed: (i) the genuineness of signatures not witnessed, the authenticity of Documents submitted as originals, and the conformity to originals of documents submitted as copies; (ii) the legal capacity of all natural persons executing the Documents; (iii) that the Documents accurately describe and contain the mutual understanding of the parties, and that there are no oral or written statements or agreements that modify, amend, or vary, or purport to modify, amend, or vary, any of the terms of the Documents; (iv) that Borrower owns all of the property, assets, and rights purported to be owned by it; (v) that you will receive no interest, charges, fees, or other benefits or compensation in the nature of interest in connection with the transactions contemplated by the Documents other than those that Borrower has agreed in writing in the Documents to pay; (vi) that the UCC-1 Financing Statement will be filed promptly and properly in the appropriate governmental offices; and (vii) that Borrower will comply with all applicable regulatory orders.

The opinions set forth above are subject to the following qualifications and limitations: (i) the enforceability of the Documents may be subject or limited by bankruptcy, insolvency, reorganization, arrangement, moratorium, or other similar laws relating to or affecting the rights of creditors generally; (ii) the enforceability of the Documents is subject to general principles of equity; and (iii) the enforceability of the Documents is further subject to the qualification that

February 15, 2010

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certain waivers, procedures, remedies, and other provisions of the Documents may be unenforceable under or limited by the law of the State of Arizona; however, such law does not, in our opinion, substantially prevent the practical realization of the benefits intended by the Document. We are expressing no opinion as to the title to any property described in, or the priority of any lien or security interest created by, any of the Documents.

We are qualified to practice law in the State of Arizona, and we do not purport to be an expert on, or to express an opinion concerning, any law other than the law of the State of Arizona. This opinion is limited in all respects of the laws in the State of Arizona now in effect, to the matters set forth herein, and to the date hereof, and we assume no obligation to revise or supplement this letter should any such law be changed by legislative action, judicial decision or otherwise. No opinion may be inferred or implied beyond the manner expressly stated herein and only in the context of the assumptions and qualifications herein described.

This opinion is issued to you and is not to be relied upon for any other purpose or by any other person or entity. This opinion is not to be referred to or recorded in any document or report filed with or delivered to any governmental agency or other person without our prior written consent.

Respectfully,

MOYES SELLERS & SIMS

A handwritten signature in cursive script, appearing to read "Steve Wene".

By: Steven L. Wene

Exhibit H
Borrower Disclosure

1. Exception(s) to Subsection 3(e) of the Standard Terms and Conditions entitled "Compliance with Laws": (borrower to insert exceptions or "None")

The Company's source water exceeds the nitrate standards until the completion of the
project for which this loan will fund.

2. Exception(s) to Subsection 3(f) of the Standard Terms and Conditions entitled "Environmental Compliance": (borrower to insert exceptions or "None")

The Company's source water exceeds the nitrate standards until the completion of the
project for which this loan will fund.

3. Exception(s) to Subsection 3(g) of the Standard Terms and Conditions entitled "Litigation": (borrower to insert exceptions or "None")

None

4. Exception(s) to Subsection 3(h) of the Standard Terms and Conditions entitled "Title to Property": (borrower to insert exceptions or "None")

The Company has a USDA loan outstanding (issued in 1979) with a balance of
approximately \$21,000 and the water system is encumbered by this loan on a subordinated
status to this WIFA loan.

5. Exception(s) to Subsection 3(k) of the Standard Terms and Conditions entitled "Subsidiaries": (insert exceptions or "None")

None

Picacho Peak Water Company

By: Bill McCabe

Name: Bill McCabe

Title: President

Date: February 16, 2010